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Second country cooperation framework for Romania (2000-2004)

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Introduction

1. The second country cooperation framework (CCF) for Romania for 2000-2004 is based on national development priorities and takes due account of the results of the Common Country Assessment (CCA) prepared in 1998, the United Nations Development Assistance Framework (UNDAF) prepared in 1998 and the country review completed in 1999. The CCF, therefore, draws on common development priorities as reflected by the Government and the United Nations system in Romania. It also takes advantage of the strategic results frameworks (SRFs) prepared in 1999 for 2000-2003, outlining the goals and outcomes of UNDP assistance in Romania. With this background, the CCF focuses on programme areas where UNDP has advantages and can contribute to making positive changes of national importance, and with visible results.

I. Development situation from a sustainable human development perspective

2. The development situation and, hence, the emerging priorities in Romania stem from the ongoing processes of transition that began about a decade ago as part of efforts to establish a democratic system of governance with a market-oriented economy. The initial gradual approach gave way to an accelerated reform process in 1997 that concentrates on four major inter-connected goals:

(a) Reform and redefining the role of the State, linked to priority initiatives aimed at reforming the governance system to ensure more effective and efficient production of goods and services;

(b) Structural reform and development of the private sector, linked to priority initiatives aimed at restructuring the industrial sector, developing the private sector and generating an outward-oriented market economy;

(c) Development of human capital, linked to priority initiatives aimed at consolidating social dialogue, developing skills, building civil society, reforming the social sector and modernizing the social protection system;

(d) Protection of the environment and sustainable development, related to development of the agricultural sector and use of natural resources.

3. Linked to these national goals are important public administration reform priorities aimed at founding a democratic system of governance and a market-oriented economy by following a regional approach to development.

4. While reform processes bring about positive changes in the long term, they have also had an impact on sustainable human development (SHD):

(a) The National Human Development Report (NHDR) for 1999 shows a decline in the Human Development Index (HDI) from 0.738 in 1996 to 0.733 in 1998. The HDI decline corresponds to a similar drop in economic and social services;

(b) The actual income of the population, compared to the 1989 level, has decreased further and the percentage of Romanians living below the poverty line has increased in the range of 25 to 31 per cent. If compared to the European standard

income level for 1985 of $14.1 per day, 59 per cent of Romanians would technically be living below the poverty line;

(c) The rise in poverty is accompanied by a decline in GDP. GDP growth per capita in 1997 was -6.6 per cent and -7.2 per cent in 1998;

(d) The inflation rate increased from 38.8 per cent in 1996 to 154.8 per cent in 1997, but since dropped and is currently at about 60 per cent;

(e) The unemployment rate rose, from 3 per cent in 1991 to 10.3 per cent in 1998, with about 45 per cent of the unemployed under 25 years old;

(f) Policies related to economic liberalization and development of the private sector have yielded results. The share of the private sector in GDP increased from a low level of 16.4 per cent in 1990 to 58.4 per cent in 1998;

(g) Despite an increase in the trade deficit, the overall volume of exports has risen indicating an outward market-oriented development. Accounting for 75 per cent of total consumption, the development and role of the private sector is crucial for achieving SHD.

5. Despite these weaknesses, important progress has been made in the following areas:

(a) *Governance*. Romania has made considerable progress in carrying out a steady process of transition to a democratic state and market economy since the fall of the communist government in 1989. Institutions, policies and legislation have all been the subject of reform. However, much work still remains before Romania's system and capacity of governance will be ready to assume serious SHD strategies. Further strengthening of democratic and human rights institutions in combination with decentralization and participatory and accountable governance are key to success.

(b) *Raising living standards*. Doing so will require a concerted effort by Romania and its partners. While improvements have been made, incomes are still low and access to basic services, such as education, health and social welfare, remains inadequate. While structural changes to the economy provide an improved environment for more rapid economic growth, substantial assistance is nevertheless required to promote investment and employment.

(c) *Environment*. It has suffered considerably in the past as a result of heavy industrialization, inadequate environmental safeguards, policies, and legislation, and a lack of awareness about environmental matters. The preparation of a National Environment Action Plan has provided a positive framework and incentives for the Government to address environmental issues. The main areas of focus include reducing greenhouse gases through energy conservation and biodiversity conservation.

6. To strengthen the processes of national development, UNDAF has recognized the need to address the emerging priorities of Romania to develop a democratic society and a market economy. UNDAF advocates a socially inclusive, rights-based approach centred around three main objectives:

(a) Accelerating the country's transition to a well-governed democratic society;

(b) Safeguarding and improving the quality of life;

(c) Actively sustaining environmental and natural resources.

7. All UNDAF objectives correlate with national development priorities, strategic results frameworks and the country review. They also reflect the ongoing neutral experiences of the Government and UNDP and cover three important areas of SHD that can provide the potential choices for UNDP assistance: (a) governance, (b) sustainable livelihoods and (c) environmental protection and management.

II. Results and lessons of past cooperation

8. The outputs from past cooperation that can serve as a foundation on which to build the current CCF feature three main areas:

(a) *Governance, democracy and participation.* UNDP prepared and hosted the Third International Conference of the New and Restored Democracies on Democracy and Development in September 1997 and carried out various follow-up activities. It also supported the preparation of Romania's annual NHDRs, which represent valuable sources of information on human development issues. Complementary to this was its assistance in preparing a national strategy for sustainable development as the UNDP contribution at the upstream level to strengthening development planning. Also notable was its contribution to establishing an effective debt management system in the Ministry of Finance and in the National Bank of Romania.

(b) *Poverty alleviation and sustainable livelihoods.* UNDP helped Romania to formulate its first national poverty alleviation strategy. Background studies were prepared and included methodologies for defining and monitoring poverty and a national poverty map. UNDP also fostered income-generation activities and employment via the project for the promotion of small and medium-sized enterprises, whereby eighteen business centres were established and advisory services provided to new firms. The aim of the recently launched Beautiful Bucharest project is to conserve the urban cultural environment by developing the skills of and by providing employment opportunities for adult orphans and the unemployed.

(c) *Environmental and natural resources sustainability.* UNDP focused on the areas of energy conservation and management, including training on energy management issues to a total of 1,300 parliamentarians, politicians, government officials and managers of large state-owned enterprises. Given Romania's vulnerability to natural disasters, UNDP also helped in disaster mitigation, particularly for victims of floods in 1997 and 1998. UNDP has actively responded with Target for resource assignment from the core (TRAC) line 1.1.3 funding to support government efforts in managing the disastrous cyanide spill that has threatened the biological life of Balkan rivers.

9. The country review, conducted in July 1999, provided a number of results and lessons that will be utilized in the implementation of the second CCF. The following outlines the important findings of the review:

(a) The major achievements were related to the preparation of policy documents, strategy reports and studies. However, policy's impact on institutions,

on the performance of partner organizations and on the lives of the people received inadequate consideration. Links between policy advice and implementation utilization were lacking;

(b) The results achieved through NHDRs, the national poverty alleviation strategy and the national sustainable development strategy can serve to advocate initiatives for change;

(c) Successes and impact were limited as a result of the programme's excessive fragmentation (with 39 projects and 23 of them small-sized) and scattered use of resources. This approach did not favour the mobilization of resources as planned for the CCF period. Consequently, UNDP should focus on high-quality, opportunity-driven strategic programmes in which it has shown comparative advantages, by concentrating on sustainability and measurable impacts;

(d) Of the projects, 56 per cent had some form of cost-sharing arrangements with a range of partners, covering Canada, Finland, Greece, the Netherlands, Sweden, the United States, the United Kingdom, the European Union and the Government. It is therefore possible to strengthen these partnerships through strategic programme development;

(e) Increased capacity-building measures were needed in the UNDP country office to ensure that adequate management, monitoring and evaluation support was being devoted to programme development and implementation. At the same time, the ratio of operational to programme costs had to become more efficient.

III. Objectives, programme areas and expected results

10. UNDP will focus its assistance on developing the most critical institutional capacities needed to build on the existing democratic system of governance in the country. This will enable Romanians, especially disadvantaged men and women, to gain the maximum benefit from the market-oriented economy for their own development. A strategic approach, built around development opportunities and partnerships, will be adopted through which UNDP will function as a recognized core partner of the Government of Romania in overcoming the difficulties of transition. For this, UNDP will increase its functions as a reliable advisory and resource centre, as a trusted partner to coordinate and mobilize external resources and as the hub to promote people-centred SHD in Romania.

A. Structure of the UNDP programme

11. The overriding objective of the programme is to strengthen the democratic system of governance and thereby create the necessary institutional incentives that will enable the Romanian people to increasingly participate in and contribute to developing the market-oriented economy. This will be achieved through three inter-related and mutually reinforcing programme areas: (a) strengthening the institutional transformation for democratic governance and decentralized development; (b) creating an enabling environment for Romanians to increasingly benefit from and contribute to the development of the market economy; and (c) supporting environmental governance.

12. All three programme areas will be inter-linked to ensure a cohesive impact and a multisectoral, integrated approach to UNDP assistance. Such an approach is expected to strengthen input-output linkages within and between the programmes. All programmes will incorporate the concept of partnership and resource mobilization as well as mainstream gender and human rights issues as cross-cutting themes.

13. The modality of assistance will concentrate on policy and institutional impact at the upstream level and will be complemented by selective demonstration or pilot initiatives at the operational level. The strategic point of entry will come as support for the strengthening of democratic governance and decentralized development, which in turn will provide the institutional cornerstone needed at the central and municipal levels to foster sustainable livelihoods and environmental governance. Selection of demonstration or pilot initiatives will be based on development opportunities which the Government of Romania and UNDP can use to mobilize additional resources to guarantee a positive impact throughout the country.

B. Programme area 1: Democratic governance and decentralized development

14. UNDP will focus its assistance on democratic governance and decentralized development by: (a) supporting advocacy and policy dialogue; (b) fortifying governance institutions for democracy, human rights and preventive development; and (c) strengthening institutional capacities for decentralized development.

(a) Advocacy and policy dialogue

15. At the central level, UNDP will assist in the preparation of NHDRs, gender-related statistics and other policy documents as part of its contribution to policy-making and monitoring. To this end UNDP will work closely with other United Nations agencies, particularly the World Bank, UNICEF, and UNFPA.

(b) Strengthening of governance institutions

16. With the support of the UNDP Management Development and Governance Division (MDGD), UNDP will work towards *strengthening democracy and human rights* by training parliamentary officials and by strengthening the ombudsman institution, including regional ombudsman offices and awareness-raising activities. Training support will cover government agencies and non-governmental organizations (NGOs).

17. In light of the effects of the recent civil conflict in the Balkans and the potential risks it poses to the stability and growth prospects of Romania, UNDP will assist the Government in developing its capacity for *preventive development management*, at both the national and subregional level. This will include the establishment of an early warning system and building capacity for preventive development measures. Close links will be maintained with similar programmes in the countries of the subregion, thus increasing technical cooperation among developing countries (TCDC).

18. Furthermore, in light of the large amount of grants provided by the donor community and the need to ensure maximum effect and avoid duplication of

assistance, UNDP will help the Government to strengthen its aid coordination capacity in close coordination with the World Bank and the European Union.

(c) Decentralized development

19. To ensure that sustainable and participatory development concepts and policies are reflected at a decentralized municipal level, UNDP will work towards building local capacities at a decentralized level in six areas: Galati, Giurgiu, Iasi, Ploiesti, Targu-Mures, and Remnicu Valcea. Capacity-building for decentralized development will be linked strongly to UNDP support for the strengthening of democratic institutions. Funding from Capacity 21 and cost-sharing from Canada and the United Kingdom has already been committed.

C. Programme area 2: Enabling environment for sustainable livelihoods

20. UNDP will focus on developing institutional capacities to support employment generation, business development and the export of goods and services, which in turn will reinforce sustainable livelihoods. This support will be closely tied in with efforts to strengthen decentralized development and to promote the private sector by building on national pilot initiatives, on the advantages of globalization and on Romania's accession to the World Trade Organization (WTO).

(a) Employment generation

21. As part of its objective to provide employment, especially to youths who have recently left orphanages, the "Beautiful Romania" programme will, together with decentralization initiatives, constitute an important mechanism of government decentralization efforts. In this context, this programme will work closely with different municipalities, expected to provide the main funding for programme activities, and with the private sector. This programme will also complement UNICEF support for the social integration of former institutionalized children.

(b) Business development

22. In this area, UNDP will mainly provide upstream, advisory support by assisting producer associations, particularly those led by women entrepreneurs. A pilot project for the economic empowerment of rural women is being implemented, in conjunction with UNIFEM in an effort to set up two pilot sites in rural areas. It will be extended to five additional sites during a second phase. There is also a proposal to build on the former small and medium-sized enterprise project by helping the Ministry of Labour and Social Protection to promote small businesses via its micro-credit programme, for which government contribution is being considered.

(c) Export-oriented development

23. The UNDP aim of promoting business development concurs with Romania's objective to increase its exports of goods and services. UNDP and the International Trade Centre (ITC) will support the Foreign Trade Centre of Romania by providing policy advice and trade information that will help to increase Romania's capacity to

export products that meet international standards (cost-sharing from Switzerland for this project is at present under discussion).

D. Programme area 3: Support to environmental governance

24. UNDP contribution to environmental conservation and management will be financed largely by the Global Environmental Facility (GEF). The intended projects are an integral part of Romania's National Environmental Action Plan (NEAP) and refer to the implementation of international environmental conventions, to which Romania is a signatory, that address the issues of: (a) climate change, (b) biodiversity, (c) international waters. Furthermore, given the country's potential for natural disasters, UNDP, in partnership with the Office for the Coordination of Humanitarian Affairs (OCHA) will assess Romania's disaster-preparedness capacity.

(a) Climate change

25. UNDP will support the reduction of greenhouse-gas emissions by improving energy efficiency at the municipal level. On the basis of its results, the World Bank and GEF will assist in establishing a fund to finance energy-efficiency measures. UNDP will also explore opportunities to reduce greenhouse-gas emissions through residential energy-efficiency initiatives.

(b) Biodiversity conservation

26. UNDP will help to implement a second GEF-funded project for biological conservation. The first biodiversity conservation management project is currently being implemented with World Bank support to complement the GEF-funded Danube delta biodiversity project. Potential areas for future GEF involvement include the conservation of wetlands, grasslands and steppes.

(c) International waters

27. UNDP will continue its support at the national level for two regional GEF-funded programmes linked to the strategic action plans for the Danube River basin and the Black Sea, both of which have received assistance from UNDP and the World Bank.

E. Expected results

28. Support for democratic governance and decentralized development will help to create the institutional platform for participatory development at the national and local levels. Links between policy development and implementation will penetrate in all programme areas, thus creating opportunities to improve the livelihood of the Romanian people. Support for sustainable livelihoods will generate innovative approaches to promoting the private sector and will thereby increase UNDP contributions to the development of Romania. Local and central authorities will thus develop institutional incentives that will lead to enhanced local economic growth and will utilize the experiences to upscale programme interventions with their own resources. Assistance for environmental governance will also help to point out which institutional approaches the Government should adopt. UNDP Romania will become a centre of excellence with a recognized level of partnership with all stakeholders.

IV. Management arrangements

(a) Programme management

29. Greater priority will be given to ensuring that UNDP-supported programmes and projects are more systematically designed within a coherent framework of support for national programmes and are closely coordinated with other donors and United Nations organizations that provide support in the same programme areas. These projects will be implemented either through the national execution modality or through United Nations organizations, as appropriate. A partnership approach to programme development and sustainable implementation will be a priority in mobilizing the support of Government, non-government, private sector and donor organizations. Priority will be given to enhancing the capacity of partner institutions, programme management and the country office for innovative, positive and advocacy-oriented management. Improved, innovative and efficient programme management will also be linked to the ongoing change process in UNDP (i.e., according to the Business Plans) and will tap into the UNDP wealth of knowledge through the Regional Bureau for Europe and the CIS (RBEC), the Bureau for Development Policy (BDP) and headquarter units.

(b) Monitoring, review and reporting

30. The strategic results frameworks will be the key instruments for the management and monitoring of the performance and results of the country programme as a whole. The results-oriented annual report (ROAR) will be the reporting instrument for the country office. Implementation of result management, including the country office management plan, will thus be the vehicle for monitoring, reviewing and reporting. Result management will be considered a fundamental requirement for each programme or project. The programmes or projects will maintain monitoring and impact-assessment databases based on results-oriented indicators, as appropriate. All programmes and projects will be subject to standard UNDP monitoring and evaluation procedures (progress and technical reports, in-depth evaluations, tripartite reviews and field visits). United Nations organizations, donors and stakeholder companies involved in the implementation will be strongly encouraged to participate in these processes. As required, independent reviews will be conducted for appropriate advisory support to improve programme performance and impact. These tools will be applied to strengthen the team approach in the management of the programme.

(c) Coordination

31. UNDP will work closely with the World Bank to strengthen its contributions to aid coordination in the context of the comprehensive development framework. The existing system of thematic coordination among United Nations organizations within UNDAF will be further reinforced and expanded to become a greater force to national and local development. These thematic coordination groups will serve as models for overall thematic coordination in Romania. UNDP will develop networking arrangements, covering Government, non-government, private sector, United Nations and donor organizations, to foster coordination and the sharing of experiences.

(d) Partnerships and resource mobilization

32. Partnerships and resource mobilization will be given utmost priority and used as indicators of success. The partnership approach will be the backbone of both programme development and implementation management. Close links and common understanding will be developed with the government counterpart agency and with each executing agent. Initiatives will be taken to enhance the staff participation in the country office and in programmes for advocacy and resources mobilization.

(e) Advocacy and media strategy

33. In his capacity as Director of the United Nations Information Centre, the Resident Representative will assist in the promotion of a public-information and media strategy to support UNDP and system efforts, targeting donors, and the general public. Priority will be given to the documentation of experiences and its dissemination. All programmes and projects will be required to work with the media to expand the dissemination of successful experiences that can help to foster greater knowledge sharing and stronger demands for national impact.

Annex

Resource mobilization target table for Romania (2000-2004)

(Thousands of United States dollars)

Source	*Amount*	*Comments*
UNDP regular resources		
Estimated carry-over	465	Carry-over of TRAC 1 and TRAC 2
TRAC 1.1.1	1 194	
TRAC 1.1.2		TRAC 1.1.2 ranges from 66.7 per cent to 100 per cent of TRAC 1.1.1
TRAC 1.1.3	100	For countries in special development situations only
Other resources	344	In line with decision 95/23, paragraph 19. (These include resources for Europe/CIS)
SPPD/STS	234	
Subtotal	**2 337**[a]	
UNDP other resources		
Government cost-sharing	2 500	
Sustainable development funds	5 078	These include GEF (estimated 4,978), and Capacity 21 (100)
Third party cost-sharing	1 000	This includes resources from CIDA, Switzerland, United Kingdom, European Union and potentially others
Funds, trust funds and other		
Subtotal	**8 578**	
Grand total	**10 915**[a]	

[a] Not inclusive of TRAC 1.1.2 which is allocated regionally for subsequent country application.

[b] *Abbreviations*: GEF – Global Environment Facility; TCDC – Technical cooperation among developing countries; SPPD – Support for policy and programme development; STS – Support for Technical Services; TRAC – Target for resource assignment from the core; UNIFEM – United Nations Development Fund for Women; UNV – United Nations Volunteers.